

THE FOREST INDUSTRY SNAPSHOT: Ministry of Forests, Lands and Natural Resource Operations

September 2011



A Selection of Monthly Economic Statistics



Points of interest:

B.C. Job Plan

On Sept. 22, Premier Christy Clark released "Canada Starts Here – The BC Jobs Plan." It aims to strengthen the economy, creating and protecting jobs for British Columbians. Building on the success in China, the government's forestry strategy will seek out new market opportunities for lumber products, focus on rebuilding in Japan, open new markets for B.C. pulp and develop new bio-energy and wood pellet markets in Asia and Europe. Read more at www.bccjobsplan.ca.

Recent Mill Investments

Biomass Secure Power plans to build two wood pellet mills in B.C. and offers have been made on sites in Terrace and Meziadin. Construction has begun to meet European contracts commencing in 2012.

Structurdam's new facility in Okanagan Falls, which opened in June, has been built to manufacture cross laminated timber (CLT) with contributions from the provincial government (\$2.5 mil), the Federal government (\$3.2 mil), along with \$7.5 mil. from Structurdam.

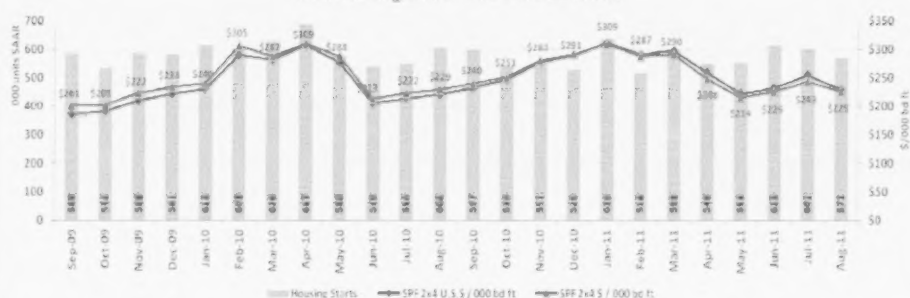
Conifex is investing \$50 mil. in a power cogeneration facility at its mills in Mackenzie. Conifex is expected to supply at least 200 gigawatt-hours (gw-h) of electricity to the grid annually, as well as generate an additional 30 gw-h to power the Mackenzie operations without the need to take power from the grid (source: B.C. Mill Status Report; <http://www.for.gov.bc.ca/hct/>).

For further information please contact:

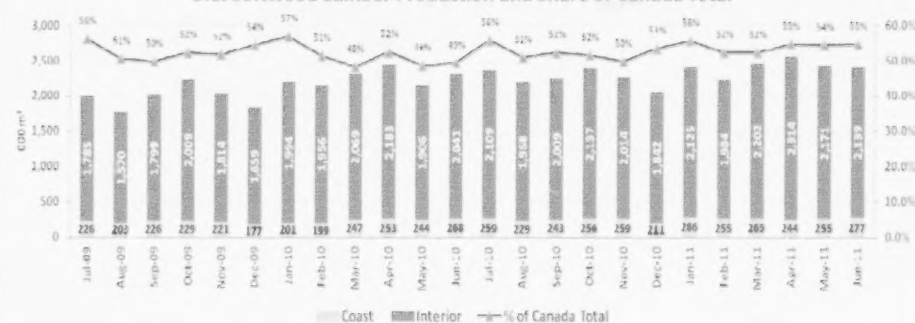
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SOFTWOOD LUMBER MARKET

U.S. Housing Starts* and SPF 2x4 Prices



B.C. Softwood Lumber Production and Share of Canada Total



Data sources: Madison's, US Census Bureau and Statistics Canada. * privately-owned housing starts, seasonally adjusted annual rate (SAAR).

- **U.S. privately-owned housing starts** in August were at a seasonally adjusted annual rate of 571,000. This is 5.0% below the revised July rate, and is 5.8% below the August 2010 rate. **Sales of new homes** including new and existing homes in the U.S. were at a seasonally adjusted annual rate of 298,000 in July 2011, down 0.7% M/M and up 6.8% Y/Y. U.S. seasonally adjusted unemployment rate was 9.1% in August 2010, down from 9.6% one year ago. (from U.S. Census Bureau and U.S. Bureau of Labour Statistics).
- **SPF 2x4 price dropped to \$225 (US\$229)** in August 2011, down 9.9% M/M and up 4.2% Y/Y. The Canadian dollar averaged \$0.9828 per US\$ in August 2011.
- In June 2011, **B.C. softwood lumber production** totalled 2.42 million m³, down 0.4% M/M and up 8.7% Y/Y. 88.5% of the production was from the Interior.
- In July 2011, **B.C. softwood lumber exports value** totalled \$305 million, up 9.1% Y/Y. **B.C. softwood lumber exports volume** totalled 1.90 million m³, up 8.6% Y/Y. The top three destinations for softwood lumber exports in July 2011 were: U.S. (value: 44.1%; volume: 50.9%), China (value: 26.4%; volume: 31.0%), and Japan (value: 16.7%; volume: 10.3%).

Common Abbreviations:

\$ Canadian dollars unless noted as US\$
M/M - % change from the previous to current month

Y/Y - % change from the same month in the previous year to the current year
YTD - year to date
China - refers to China, including Hong Kong

HARVESTING

B.C. Crown Land Monthly Harvest Volume* and Stumpage Revenue



Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations

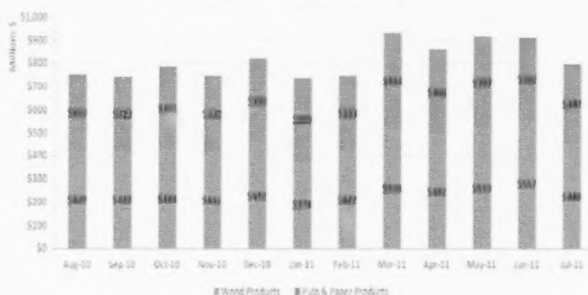
*Based on scale dates, all logs (BCTS & Major), special forest products, species and grades billed to Crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change

COAST harvest volume for all land (including Crown, private and federal) totalled 1.92 million m³ in June 2011, up 4.8% Y/Y. Crown land harvest volume totalled 1.36 million m³, down 1.7% Y/Y. **Stumpage revenue** collected was \$6.23 million in June 2011, up 22.3% Y/Y.

INTERIOR harvest volume for all land (including Crown, private and federal) totalled 2.81 million m³ in June 2011, down 2.3% Y/Y. Crown land harvest volume totalled 2.75 million m³, down 0.3% Y/Y. **Stumpage revenue** collected was \$9.50 million in June 2011, down 8.8% Y/Y.

EXPORTS

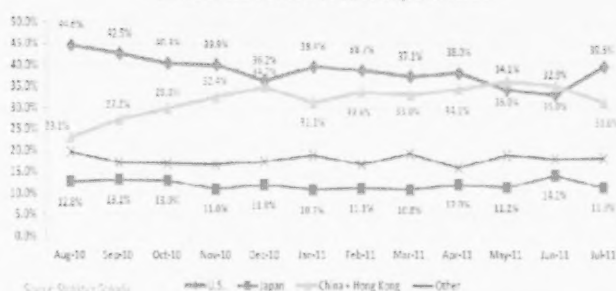
B.C. Forest Products Exports Value by Sector



B.C. forest product exports totalled \$797 million in July 2011, down 12.3% M/M, up 3.1% Y/Y, and up 11.3% YTD from 2010:

- **Wood products exports** totalled \$449 million in July, down 19.2% M/M, up 9.9% Y/Y, and up 12.2% YTD from 2010; and
- **Pulp & paper products exports** totalled \$347 million in July, down 1.2% M/M, down 4.5% Y/Y, and up 10.2% YTD from 2010.
- **Exports value shares by product** in July 2011: Softwood Lumber (38.8%), Logs (5.2%), Other Wood Products (12.9%), Pulp (32.3%), and Other Pulp & Paper Products (10.3%).

Share of B.C. Forest Products Exports Value



In July 2011, **U.S. was back to be the largest destination market** for B.C. forest product exports value with a share of 39.5%, while China accounted for 31.0%, Japan accounted for 11.3% and other destinations accounted for 18.2%.

- **Exports to U.S.** totalled \$315 million, up 5.4% M/M, down 8.5% Y/Y and down 15.1% YTD from 2010.
- **Exports to China** totalled \$247 million, down 22.1% M/M, up 39.6% Y/Y and up 84.9% YTD from 2010.
- **Exports to Japan** totalled \$90 million, down 29.8% M/M, down 10.9% Y/Y and up 3.7% YTD from 2010.

DATA SUMMARY

Monthly Economic Statistics - September 2011

		Latest Month		Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change
<u>Lumber Prices (US\$/1000 bd ft)</u>										
SPF 2x4		Aug 11	\$229	\$254	-9.9%	\$220	-4.2%	\$262	\$253	3.5%
Random Lengths Lumber Composite		Aug 11	\$265	\$269	-1.5%	\$245	8.0%	\$278	\$292	-4.8%
SPF 2x10		Aug 11	\$282	\$278	1.4%	\$314	-10.1%	\$298	\$316	-5.8%
SPF Stud		Aug 11	\$228	\$260	-12.3%	\$216	5.4%	\$259	\$263	-1.7%
Cedar 2x4		Aug 11	\$630	\$630	0.0%	\$650	-3.1%	\$639	\$650	-1.8%
Hemlock Squares		Aug 11	\$825	\$825	0.0%	\$780	5.8%	\$808	\$782	3.2%
<u>Panel Prices (US\$/1000 sq ft)</u>										
Plywood		Aug 11	\$302	\$298	1.4%	\$325	-7.0%	\$304	\$342	-11.2%
OSB		Aug 11	\$205	\$204	0.5%	\$224	-8.6%	\$202	\$272	-25.8%
<u>Pulp & Paper Prices (US\$/tonne)</u>										
NBSK Pulp		Aug 11	\$993	\$1,016	-2.3%	\$977	1.6%	\$986	\$914	7.9%
Newsprint (U.S. Eastcoast)		Aug 11	\$623	\$624	-0.2%	\$602	3.4%	\$625	\$563	11.3%
<u>\$/US\$ Exchange Rate</u>										
		Aug 11	0.9828	0.9553	2.8%	1.0414	-5.6%	0.9749	1.0362	-5.9%
<u>Housing Starts (000 units)</u>										
U.S. (Seasonally Adjusted Annual Rates)		Aug 11	571	601	-5.0%	606	-5.8%	580	601	-3.5%
Canada		Aug 11	185	205	-9.7%	190	-2.9%	188	197	-4.9%
Japan (Wood-based)		Jul 11	48	40	19.7%	40	20.3%	263	251	4.8%
<u>B.C. Lumber Production (000 m³)</u>										
Coast		Jun 11	2,416	2,425	-0.4%	2,223	8.7%	14,517	13,379	8.5%
Interior		Jun 11	277	255	8.6%	268	3.3%	1,582	1,410	12.2%
		Jun 11	2,139	2,171	-1.5%	2,041	4.8%	12,935	12,149	6.5%
<u>B.C. Market Pulp Shipments (000 tonne)</u>										
		Jul 11	348	375	-7.2%	317	9.8%	2,658	2,420	9.8%
<u>B.C. Forest Products Exports (million \$)</u>										
Wood Products		Jul 11	\$797	\$908	-12.3%	\$773	3.1%	\$5,892	\$5,294	11.3%
Pulp & Paper products		Jul 11	\$449	\$557	-19.2%	\$409	9.9%	\$3,335	\$2,972	12.2%
		Jul 11	\$347	\$352	-1.2%	\$364	-4.5%	\$2,558	\$2,321	10.7%
<u>Shares of B.C. Forest Products Exports Value (%)</u>										
U.S.		Jul 11	39.5%	32.9%	20.2%	44.5%	-11.3%	36.9%	48.4%	-23.7%
China + Hong Kong		Jul 11	31.0%	35.0%	-11.2%	22.9%	35.4%	33.5%	20.2%	66.1%
Japan		Jul 11	11.3%	14.1%	-20.0%	13.1%	-13.6%	11.6%	12.5%	-6.8%
Other		Jul 11	18.2%	18.0%	0.7%	19.5%	-6.8%	17.9%	18.9%	-5.3%
<u>Market Shares of U.S. Lumber Consumption (%)</u>										
B.C.		Jun 11	12.9%	12.8%	1.2%	19.7%	-34.4%	13.5%	17.3%	-21.9%
Rest of Canada		Jun 11	11.3%	11.6%	-2.5%	11.6%	-3.1%	11.6%	11.0%	5.3%
U.S.		Jun 11	75.8%	75.6%	0.2%	68.6%	10.4%	74.9%	71.7%	4.5%
3rd Country		Jun 11	1.4%	2.1%	-33.1%	1.5%	-5.9%	1.4%	1.3%	5.4%
<u>B.C. Crown Land Scaled Volume** (000 m³)</u>										
Coast		Jun 11	4,112	1,889	117.7%	4,145	-0.8%	27,509	26,032	5.7%
Interior		Jun 11	1,364	1,255	8.7%	1,387	-1.7%	6,113	6,269	-2.5%
		Jun 11	2,748	634	333.4%	2,757	-0.3%	21,396	19,763	8.3%
<u>B.C. Stumpage (million \$)</u>										
Coast		Jun 11	\$15.7	\$8.5	84.9%	\$15.5	1.4%	\$107.7	\$113.6	-5.2%
Interior		Jun 11	\$6.2	\$6.2	1.2%	\$5.1	22.3%	\$28.9	\$32.1	-9.9%
		Jun 11	\$9.5	\$2.3	304.8%	\$10.4	-8.8%	\$78.8	\$81.5	-3.3%
<u>B.C. Forestry Employment (LFS) (000 jobs)</u>										
Forestry & Logging		Aug 11	52.7	52.6	0.2%	53.8	-2.0%	53.4	56.4	-5.4%
Wood Products		Aug 11	15.6	15.2	2.6%	20.2	-22.8%	13.3	18.4	-27.4%
Paper Products		Aug 11	29.0	27.3	6.2%	24.3	19.3%	30.4	27.9	8.8%
		Aug 11	8.1	10.1	-19.8%	9.3	-12.9%	9.7	10.2	-4.9%
<u>B.C. Log Exports</u>										
Volume (000 m³)		Jul 11	364	598	-39.2%	295	23.3%	3,309	2,184	51.5%
Value (million \$)		Jul 11	\$41.1	\$71.1	-42.2%	\$26.1	57.7%	\$347.3	\$220.1	57.8%

* based on calendar year, change % from the same year-to-date period of the previous year to the year-to-date of current year.

** Preliminary data and subject to change.